

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail Contract 74 (MC2014-15)
Negotiated Service Agreement

Docket No. CP2014-24

ORDER APPROVING AMENDMENT TO PRIORITY MAIL CONTRACT 74
NEGOTIATED SERVICE AGREEMENT

(Issued April 16, 2014)

I. INTRODUCTION

The Postal Service seeks to amend Priority Mail Contract 74 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

In Order No. 1960, the Commission approved the Priority Mail Contract 74 negotiated service agreement (Existing Agreement).² On April 4, 2014, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 74, April 4, 2014 (Notice). The Amendment is an attachment to the Notice (Amendment).

² See Docket Nos. MC2014-15 and CP2014-24, Order Adding Priority Mail Contract 74 to the Competitive Product List, January 13, 2014 (Order No. 1960).

April 8, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1, Attachment A at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice at 1, Attachment B. The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment B.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. *Id.* at 2. Based on that review, she concludes that the Existing Agreement, as amended, should continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a) during its first year. *Id.* She also states that the annual adjustment of prices included in the Existing Agreement should help maintain the contract's ability to meet the requirements of 39 U.S.C. § 3633(a) in subsequent years. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

³ Order No. 2043, Notice and Order Concerning Amendment to Priority Mail Contract 74 Negotiated Service Agreement, April 8, 2014.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 74, April 15, 2014 (PR Comments).

Cost considerations. The Commission reviews competitive product prices to ensure that they meet the applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

The Amendment broadens the application of the contract to include prices for Priority Mail packages having weights and sizes different than those described in the Existing Agreement. It does not change the prices previously established under the Existing Agreement.

The supporting revenue and cost data show that the Existing Agreement, as amended, should cover its costs for the remainder of the first contract year. The annual rate adjustment provision in section I.G. of the Existing Agreement should allow the contract's revenues to cover costs for the duration of its term. The Commission will continue to review the cost coverage of the Existing Agreement, as amended, in its Annual Compliance Determination to ensure that rates cover costs.

Other considerations. The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review. The Amendment does not alter the duration or expiration date of the Existing Agreement.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the Existing Agreement, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves the Existing Agreement, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 74 negotiated service agreement, as amended.

2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

By the Commission.

Shoshana M. Grove
Secretary